



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/5/2009

GAIN Report Number: MY9001

Malaysia

HRI Food Service Sector

Food Service Malaysia

2009

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Report Highlights:

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US\$6,807 in 2007. Most economic commentators forecast Malaysia's economy to grow by 5 percent to 5.5 percent in 2008 and 3.4 percent and 4 percent in 2009. Trade sources estimate that the total food service market is valued at US\$ 5.5 billion today and is forecasted to grow between 7 percent and 10 percent per annum over the next three to five years.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Kuala Lumpur [MY1]
[MY]

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1. Malaysia in Profile

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US\$6,807 in 2007. It is now regarded as an upper middle income country and is ranked 8th wealthiest nation within East Asia by the World Bank. Its economy sits on a firm foundation in a mixed economy that comprises strong agricultural, services and manufacturing industries. In 2007, the economy grew by 6.3 percent, compared to 5.8 percent growth in 2003. Most economic commentators forecast Malaysia's economy to grow between 5 percent to 5.5 percent in 2008 and 3.4 to 4 percent in 2009.

Malaysia has a multi-racial population of around 27.7 million in 2008, all of whom are multi-lingual, speaking at least two languages fluently, including English which is widely used in the business environment. Malaysia still has a young population today with 32 percent aged 15 years and below and 63.5 percent in the 15 year to 64 year age range. Around 97 percent of the working population continues to be gainfully employed. Over 6 percent of the populations are in the middle to high income group with a growing purchasing power. Malaysia can be compared to Singapore in the 1980s when improving sophistication and modernization of local lifestyles were becoming evident, leading to increasing consumption of imported food and beverages from western countries. Today, Malaysia provides a significant pool of active consumers who will continue to modernize their eating habits, leading to increasing consumption of imported food and beverages.

2. Food service market summary

Malaysia has a sizeable and rapidly growing food service market today. Trade sources estimate that the total food service market is valued between US\$ 5.0 billion and US\$ 5.5 billion today. Trade sources comment that the food service market has been growing at a rapid average rate of around 7 percent per annum over the past five years. They indicated that this market is likely to grow at between 7 percent and 10 percent per annum over the next three to five years.

The Table below provides an overview of the size of the import market for food and beverage products.

Imports of Food and Beverage Products (US\$ million)					
	2003	2004	2005	2006	2007
Meat & meat preparations	204	249	273	265	343
Fish & fish preparations	331	478	469	503	561
Dairy products, eggs & honey	312	401	445	449	705
Edible vegetables	281	353	403	451	467
Edible fruits & nuts	119	126	134	145	177
Coffee, tea, mate & spices	89	148	138	205	293
Processed meat, fish & seafood	35	48	50	56	63
Sugar & sugar preparations	278	305	348	454	528
Processed cocoa products	320	383	443	731	873
Processed cereal products	192	273	289	307	350
Processed vegetables and fruits	66	75	82	93	142
Miscellaneous processed foods	173	239	267	288	331
Beverages	111	164	167	185	252
Total	2,511	3,242	3,508	4,132	5,085
Source: Department of Statistics					

Malaysia imported US\$ 5.1 billion of food and beverage products in 2007. Food imports have been growing on an average rate of over 20 percent per annum over the past few years. Trade sources comment that imports of food products will likely continue to grow at similar rates over the next five years.

The halal factor

With a Muslim population of 60 percent, the demand for *halal* foods by Malaysian consumers has increased over the years. Foreign meat (except pork) and poultry plants intending to export to Malaysia must be accredited by the Malaysian Department of Veterinary Services and the Department of Islamic Development for halal purposes. The Malaysian halal standards are perceived as stricter than those of other Islamic countries. Hence, opportunities to increase exports of meat (except pork) and poultry hinges on the halal approval.

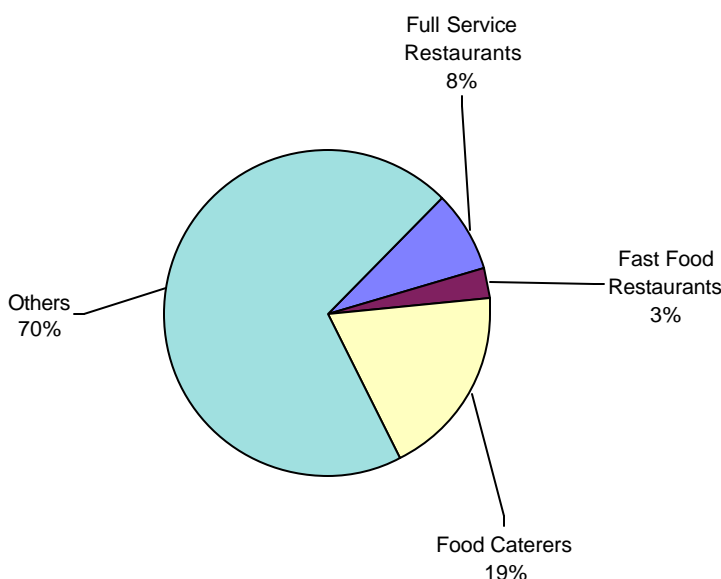
In recent years, the expectation of *halal* standard in food products have extended from meat and meat products to non meat-based products such snacks, confectionery, dairy, bakery, etc. The Malaysian government and many companies are marketing the *halal* standards as a new benchmark for quality, hygiene and safety. Food products and ingredients that have *halal* certificates are perceived to have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for *halal* certificates for non-meat based food products and ingredients.

2.1 Malaysia's food service in overview

Malaysia's food service sector targets a local population of about 28 million persons and a large transient population of tourist and business visitors of almost 21 million persons annually. The sector is diverse, with outlets ranging from low end food stalls operating in outdoor areas by the roadside to covered air-conditioned food courts to high end restaurants operating in hotels, as restaurant chains or as single site restaurant businesses.

The food service sector continues to remain fragmented today, with around 75 percent of the operations being made up of small food service operators such as single site cafes, coffee shops, open air food stalls, food stalls in food courts, eating houses, pubs and bars and other minor food service operators. The Chart below shows the structure of the food service sector in Malaysia today.

Structure of Food Service Sector in 2007



Source: Trade estimates

In Malaysia it is not unusual for consumers to have breakfast, lunch and dinner out daily, as well as snacks in between meals. This is more commonly practiced by young married couples or young single adults who are gainfully employed. It is, however, common for families to have dinner out at least once a week, at the street stalls, food court, coffee shops, low-end restaurants and alike. Dining at a mid to high end restaurant is reserved for special occasions such as birthdays, weddings, anniversaries, festive celebrations, corporate functions and alike.

The Malaysian cuisine is varied and has historically been influenced by Chinese, Malay, Indian and Middle Eastern cuisines. In recent decades, western cuisines from Europe, the USA and Australia have also started to influence the local cuisine. Today, restaurants that offer exotic

cuisine from the USA and Japan are gaining popularity amongst the middle to high income consumers, particularly the urban consumers in their 20s to the late-40s.

Although Malaysia's food service sector has largely retained its Asian standards, it is rapidly modernizing and upgrading to standards similar to those found in most developed nations. Events such as the Malaysian International Gourmet Festival, held once a year, has encouraged the best restaurants to showcase their finest culinary creations, making Malaysia into one of the fine dining destinations in the region. All the finest restaurants operating in the major cities in Malaysia actively participate in this annual event. US exporters intending to enter the food service sector should consider targeting the dynamic high end restaurant segment operating in the major cities in Malaysia.

2.2 Advantages and challenges for US exporters

The Table below summarizes the advantages and challenges for US products in the Malaysian food service sector.

Advantages	Challenges
Malaysia's economy is continuing to grow and the food service sector is also continuing to expand rapidly. Most imported food and beverage products attract nil to low Customs Duties (except for alcoholic drinks).	The Muslim population (around 60 percent of the total population) demands <i>Halal</i> products. It will be necessary and advantageous for US products (particularly meat products) to be <i>halal</i> certified to include this large segment of the population.
US products are already well-known and well represented in the food service market. In addition, an increasing number of US-style restaurants and cafés are opening in Malaysia's major cities. These food service establishments are becoming increasingly popular amongst urban consumers within the 20 to late 40s age range, who are amongst the highest spenders in Malaysia. This enables new-to-market US products an easier access into the food service market in Malaysia.	Malaysia, Australia, New Zealand, France, China and other ASEAN countries continue to be strong competitors in the food service market. Their products compete on quality and price against a number of comparable US products. US products are generally perceived as not as price competitive as similar products from countries such as Australia and New Zealand.
Young Malaysians, including young adults, are increasingly adopting US culture and gaining a taste for US cuisines. This is very positive for the long term future of US food products.	The Malaysian cuisine dominates with a large demand for local products.

The high end segment of the sector is rapidly expanding and upgrading to standards similar to those found in developed countries. This is positive for the long term future of US food products.	The majority of consumers only dine at high end restaurants for special occasions such as birthdays, anniversaries, weddings, festive celebrations, corporate functions and alike.
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3. Road map for market entry

3.1 Sub-sector market entry

3.1.1 Restaurants in hotels and resorts

In Malaysia, the 3 star to 5 star hotels usually operate one or more restaurants within their premises, targeted at the hotel guests although walk-in and regular customers form a sizeable and important proportion of their customer base. Restaurants can range from mid-range to high end, depending on the rating of the hotel.

The majority of the 5 star hotels and resorts are located in Kuala Lumpur and in surrounding suburbs as well as in Pinang, Melaka, Kota Kinabalu, Langkawi Island and other major tourist resorts. All the 5-star hotels operate high end fine dining restaurants that serve various cuisines including Chinese, Japanese, Seafood, European, Indian, Italian, Continental, Fusion, BBQ buffet, International buffet, French, Californian and various Asian as well as afternoon teas of various themes. Many of the hotel restaurants are award winning and are innovative fine dining establishments.

It should be noted that:

- Fine dining restaurants at 4 to 5 star hotels are usually frequented by Malaysia's middle to high income groups as well as corporate customers. Dining at such restaurants peaks around the festive seasons from October to February each year, covering the Deepavali, Hari Raya, Christmas, New Year and Chinese New Year celebration period, a time when consumerism is at its highest and enormous quantities of food is consumed by the whole population. In addition, hotel restaurants are popularly used for celebratory functions, such as anniversaries, annual corporate dinners, business or government functions/events, weddings and other important events.
- Certain award winning fine dining hotel restaurants are places to be seen dining in and are popular with the high income consumers, royalties, celebrities, important government officials and alike.

Imported food and beverages are used by this sub-sector of the market.

Company profiles

The Table below provides information on the major hotels that operate restaurants today.

Name	Sales (US\$ millions)	Outlet Name, Type, & Number of Outlets	Cuisine Type	Purchasing Agent Type
Mandarin Oriental, Kuala Lumpur	Not available.	1) Lai Po Heen 2) Wasabi Bistro 3) Biba's Café 4) Pacifica Grill and Bar 5) Cascade Restaurant and Bar	1) Cantonese 2) Sushi 3) Seafood 4) European cuisine with Asian influence	Local agents
Ritz Carlton, Kuala Lumpur	Not available.	1) Li Yen 2) Lobby Lounge	1) Cantonese 2) Afternoon tea	Local agents
Shangri-La Tanjung Aru, Kota Kinabalu	Not available.	1) Café TATU 2) COAST Restaurant & Bar 3) Naan - Flavours of India	1) Asian and Continental 2) Californian Cuisine 3) Indian	Local agents
Shangri-La Kuala Lumpur	Not available	1) Lafite 2) Lemon Garden Café 3) Shang Palace 4) Zipangu	1) Western 2) Malaysian, Indian, Chinese, Italian 3) Cantonese 4) Japanese	Local agents
Hotel Imperial Kuala Lumpur	Not available	1) Celestial court 2) Villa Danieli 3) Essence	1) Chinese 2) Italian 3) International	Local agents
Four Seasons Langkawi	Not available.	1) Serai	1) Southern Italy and the Mediterranean	Local agents

Hilton, Kuala Lumpur	Not available.	1) Sudu 2) Senses 3) Chynna 4) The Noodle Room 5) Iketeru 6) Caffé Cino	1) International 2) Australian 3) Chinese 4) Asian 5) Japanese 6) Western pastry, cakes and alike	Local agents
Hotel Equatorial Melaka	Not available.	1) Kampachi 2) Rest House Café 3) K5, The Street Bistro 4) Seri Nyonya Peranakan	1) Japanese 2) International and local 3) Western and local 4) Peranakan	Local agents
The Datai Langkawi	Not available.	1) Pavilion 2) The Dining Room	1) Thai 2) International as well as Malaysian specialties	Local agents
Grand Millennium	Not available.	1) Zing	1) Chinese	Local agents
JW Marriott Kuala Lumpur	Not available.	1) Shanghai 2) Gonbei 3) Shook! 4) third Floor Restaurant	1) Chinese. 2) Japanese 3) Chinese, Italian, Japanese, grill 4) French, Australian, Asian	Local agents
Palace of the Golden Horses, Kuala Lumpur	Not available.	1) Carousel Cafe 2) Cavallini's Italian 3) Kim Ma 4) Kin No Uma	1) International and local 2) Italian 3) Chinese 4) Japanese	Local agents
Renaissance Kuala Lumpur	Not available.	1) Med@Marche 2) Sagano 3) Dynasty 4) Vogue Café 5) Temptations	1) Mediterranean. 2) Japanese 3) Chinese. 4) Pacific Rim 5) Local, Asian, international	Local agents
Renaissance Melaka	Not available.	1) Olio 2) Long Feng 3) Summerfield's	1) Italian 2) Chinese 3) Coffee House	Local agents

Hotel Nikko Kuala Lumpur	Not available.	1) Benkay 2) Café Serina Brasserie 3) Toh Lee	1) Japanese 2) International and local 3) Chinese	Local agents
Eastern & Oriental Hotel, Pinang	Not available.	1) Sarkies Corner 2) The 1885	1) International and local 2) Contemporary and afternoon tea	Local agents

3.1.2 Restaurants

Malaysia's restaurant sub-sector, excluding hotel restaurants, is made up of:

- Full service restaurants which are operated by individuals, companies or large corporations. Full service restaurants are made up of mid to high end restaurants that target the middle to high income consumers. The high end restaurants are comparable to the fine dining restaurants operated by the 4 to 5 star hotels, where professional chefs are employed.

Trade sources added that the majority of these restaurants are Asian restaurants with Chinese restaurants dominating the Asian segment of the sector. Other cuisines that are well represented in the Asian restaurant segment are Malay, Indian (various cuisines), Japanese (various cuisines/formats), Indonesian, Peranakan and Thai.

The most prominent cuisines featured in non-Asian restaurants are American-style (family-style restaurants, which mainly operate in chains), Italian, French and generic "Western". The other cuisines featured are supplied by niche players that have Mediterranean, Turkish, Persian, Lebanese, Arabic, Indochinese, Australian, Continental, Korean, German or Brazilian menus.

Most of the full service restaurants that have an American menu are franchised operations that have been introduced to Malaysia from the USA, e.g. Chili's Grill & Bar, Swensen's, T.G.I. Friday's and Tony Roma's.

Some are Asian origin western-style restaurants e.g. Black Canyon (Thai origin), San Francisco Steakhouse (Malaysian origin), The Manhattan Fish Market (Malaysian origin), Secret Recipe (Malaysian origin), Victoria Station Restaurant (Malaysian origin), The Ship (Malaysian origin). These restaurant chains are better able to closely meet the taste preferences of the Asian palate.

The majority of the customers that frequent these restaurants are from the middle to upper income families, business persons and the affluent young working adults. Most of the customers are well-travelled, well-informed, sophisticated, prefer to dine in comfort and appreciate the highest culinary standards in Malaysia.

- Fast food restaurants.

Fast food restaurant chains that operate in Malaysia are fast food or quick service chains that operate with an international menu, e.g. McDonald's, Pizza Hut, A&W,

Burger King, KFC and Nando's, or an Asian menu, e.g. Yoshinoya Japanese quick service restaurant, Kim Gary Hong Kong-style quick service restaurant.

In addition, there are also a number of café chains that also serve meals, e.g. Coffee Bean & Tea Leaf, San Francisco Coffee (originating from Japan) and the Delifrance chain (originating from Singapore).

The main customers are from the middle income groups who have a demand for quick service. Family groups, young working adults, teenagers and school children are frequent customers of fast food establishments. They prefer the informal, clean and comfortable environment to food courts and other traditional food service outlets.

Imported food and beverages are demanded by this sub-sector of the market.

It should be noted that dining out is promoted on a large scale in:

- October to February, which starts with Deepavali or Hari Raya and ends with Chinese New Year, and also includes the US Thanksgiving Day, the Christmas period and the Calendar New Year celebrations. Trade sources comment that the bulk of spending in formal restaurants takes place at this time of the year.
- The Malaysian International Gourmet Food Festival, which usually runs throughout the month of November. The main focus has been on showcasing innovative local and international cuisines, with the objective of stimulating the fine dining sector, raising culinary standards, creating excellence in the food service sector and to increase awareness of Malaysia as a culinary destination for tourists.

Company profiles

The Table below provides information on the major businesses involved in the operation of restaurants today.

Name	Sales (US\$ millions)	Outlet Name, Type, & Number of Outlets	Location	Purchasing Agent Type
TT Resources Bhd	Not available	Tai Thong - 19 outlets Putra Jaya Seafood Restaurant – 1 outlet Chopstick Noodle House – 1 outlet San Francisco Steakhouse – 4 outlets Santini@Suria KLCC – 1 outlet Nuovo Café – 2 outlets	High end restaurant areas and high end shopping malls	Local agents
KFC Holdings (Malaysia) Bhd	\$ 508.9 (2007, including retail and Singapore KFC operations)	KFC - 410 outlets Rasamas – 22 outlets	Nationwide	Centralised buying
Golden Arches Sdn Bhd	Not available	McDonald's - 184 outlets	Nationwide	Centralised buying
Nando's Chickenland Malaysia Sdn Bhd	Not available	Nando's – 29 outlets	Melaka, Selangor, Kuala Lumpur, Penang, Johor	Local agents
A&W (M) Sdn Bhd	Not available	A&W – 30 outlets	Nationwide	Centralised buying
Pizza Hut Restaurants Sdn Bhd	Not available	Pizza Hut– 180 outlets	Nationwide	Centralised buying

Revenue Valley Sdn Bhd	US\$18 million (2007)	The Manhattan Fish Market – 21 outlets Tony Roma's – 4 outlets Sushigroove – 2 outlets	High end shopping malls in Kuala Lumpur, Selangor, Johor and Penang	Centralised buying
Secret Recipe Cakes & Café Sdn. Bhd	Not available	Secret Recipe – 155 outlets	Nationwide and in high end shopping malls in major cities	Centralised buying
San Francisco Coffee Sdn Bhd	Not available	San Francisco Coffee – 31 outlets	High end shopping malls in major cities	Centralised buying
Coffee Bean & Tea Leaf (M) Sdn Bhd	Not available	Coffee Bean & Tea Leaf – 72 outlets	High end shopping malls in major cities nationwide	Centralised buying

3.1.3 Food catering operators

The food catering sub-sector is made up of:

- Food catering businesses, ranging from small family-run businesses to major businesses. This segment essentially has two types of businesses, the large high end aggressive, sophisticated and well organized caterers and the smaller less organized mid-to-low level caterers.
 - The small number of larger businesses specializes in catering to corporate functions, weddings, anniversaries, major events/conventions, trade exhibitions, private parties and alike. They employ top chefs and well-trained catering staff and offer menus that are comparable to the high end restaurants.
 - The numerous smaller mid-to-low level caterers service families with demands for regular home delivery meals, budget family functions, weddings, parties and alike. These businesses generally provide local dishes only, usually at a highly affordable price and employ less experienced cooks and catering staff.
- Airline catering businesses. There are currently two major airline catering businesses involved although smaller localized caterers also exist to service Malaysian Airlines that fly to the smaller airports throughout Malaysia:
 - LSG Sky Chefs Brahim Sdn Bhd, which is the largest in-flight catering operation in Malaysia. It has the majority of the in-flight catering business that is available at the KLIA. It is estimated to produces up to 45,000 meals a day. Its major

customer is Malaysian Airlines but it caters to all national and most international airlines flying to and from Kuala Lumpur.

- KL Airport Services Sdn Bhd, the alternative airline caterer based in KLIA which also services the international airlines such as Singapore Airlines, Emirates, Cathay Pacific, British Airways and alike.

Imported food and beverages are demanded by the higher end food catering companies as well as the airline caterers.

Company profiles

The Table below provides information on the major businesses involved in the catering business today.

Name	Sales (US\$ millions)	Location	Purchasing Agent Type
LSG Sky Chefs Brahim Sdn Bhd	Not available	Catering kitchens at Sepang KLIA Largest airline caterer, serving up to 45,000 halal meals a day.	Local agents and directly from overseas suppliers. All suppliers must supply halal origin ingredients and must have halal certification.
KL Airport Services Sdn Bhd	Not available	Catering kitchens at Sepang KLIA. Second largest airline caterer.	Local agents and directly from overseas suppliers. Only halal products accepted.
Master Chef Catering Services	Not available	Selangor. Targets corporate and private customers.	Local agents
TT Resources Bhd	Not available	Selangor. Targets wedding, anniversaries, baby showers, corporate events, theme parties, graduations and private customers.	Local agents

MasterPlan Catering Sdn Bhd	Not available	Selangor. Targets government offices, embassies, schools, universities, corporate and private customers.	Local agents
Emirex Catering Services Sdn Bhd	Not available	Selangor. Targets corporate, government, hospital, wedding, conventions, and private customers.	Local agents
HM Event Caterers	Not available	Selangor. Targets corporate and private customers.	Local agents
Elite Chefs	Not available	Selangor. Targets high income private customers, western expatriates as well as corporate customers.	Local agents
Bagus Event and Catering	Not available	Selangor. Targets corporate and private customers.	Local agents

3.1.4 Other food service establishments

This sub-sector is made up of traditional eating places such as cafes, coffee houses and snack bars, food courts, coffee shops, canteens, other food stalls, bars, pubs and alike. This is a highly fragmented segment, numbering several hundred thousand of establishments, with mainly small businesses and family owned establishments, employing a small number of staff as well as unpaid family members.

In Malaysia, the first “casual” business enterprise that the majority of Malaysians are most likely to enter into is to open up a food service stall by the road side. Many such enterprises are transient in nature, perhaps with the purpose of earning enough to purchase a particular asset or pay for a planned expense. Should such a business become successful, the individual operator, who usually holds a permanent employment elsewhere, may continue in business for the long term and eventually upgrade to permanent premises.

A large number of these establishments are low to mid level businesses serving largely local everyday dishes at a highly affordable price. These businesses attract the low to middle income consumers who frequent such eating places on a regular basis, some on a daily basis. It is not unusual for Malaysians to have most, if not all, their daily meals, namely, breakfast, lunch, tea, dinner and supper at such an outlet located either near to their home or place of work.

The majority of these businesses are highly cost conscious, purchase their ingredients daily and use local ingredients with a low to nil demand for imported food and beverages from western countries.

No major businesses exist in this sub-sector of the food service market.

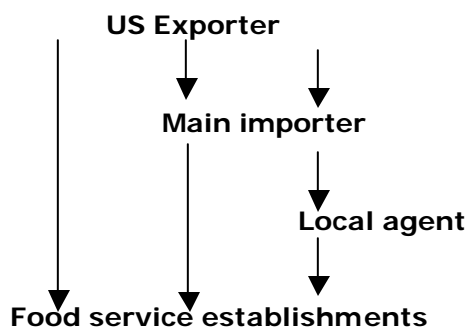
3.2 Entry strategy

High end restaurants, major caterers and airline caterers are the main users of imported food and beverages, although they will readily use local/Asian products where possible because of the freshness and price competitiveness of local/Asian products. US exporters should consider the following when planning to enter this food service market:

- Review the types of US products that can be readily targeted at the high end food service sector in Malaysia, particularly those located in the major cities and tourist centres. Consider the price competitiveness of US products compared to local and other imported products.
- Gain a full understanding of the purchasing needs and purchasing criteria of local users in order to closely meet their expectations. Halal certification is essential when targeting the airline caterers.
- Develop links with local importers that target key hotels, high end restaurants and major caterers that demand imported food and beverages.
- Improve local users' and importers' awareness of, and knowledge about, US food, drinks and cuisine by showcasing to the high end food service sector what the US exporters have to offer in terms of food ingredients and drinks for use in the various high end food service channels.
- Conduct US food and beverage promotions with hotel restaurants and high end restaurants to gain a high profile amongst the top chefs, particularly during the year-end festive seasons.
- Chefs from high end restaurants and hotels plan their festive menus several months in advance of the events. US suppliers should take this into consideration when planning their marketing programs and planning their inventory management so that they are in a perfect position to supply the products required by these chefs.

3.3 Distribution channel

The Chart below provides an overview of the distribution channel for imported food and beverage products from US exporters to the food service sector.



It should be noted that:

- The larger food service operators have a preference for local importers that are able to meet closely with their purchasing criteria in terms of service, price, quality, health and safety, handling and storage capabilities and ability to supply on short notice.
- The food service establishments purchase small quantities on a frequent basis, preferring to obtain fresh products when required rather than buy in bulk or in advance. Most kitchens lack storage space and for this reason, only small but regular sized orders are placed. Appropriately sized food service packs are preferred by the chefs to the standard retail pack sizes.
- Food service buyers look for consistently reliable service, ability to source for unique or exotic ingredients, high quality and value for money products when making their purchasing decisions and will only deal with importers that are able to meet closely with their requirements. For this reason, most buyers are very reluctant to use new importers' services.
- All food buyers are influenced by the chief chefs' decision when it comes to the types and quality of food ingredients to be purchased largely because the menus are controlled by the chefs. It is important to meet the buyers' service needs as much as the chefs' quality needs.
- The country of origin of the food ingredients is usually not important when purchasing most food ingredients. However, for certain food ingredients, the country of origin is very important to the chefs, especially when the chefs are from countries which specialize in producing the ingredients, e.g. France for cheese, wine and other French specialties, Australia for beef, Italy for olive oil, pasta and other Italian specialties and USA for beef steaks, ribs and alike. These chefs are familiar with the quality and taste of the ingredients of their source country and prefer to use such ingredients in their dishes.
- Tendering is used by the airline catering operators to procure most of their food and beverage requirements. Supply requirements may be in bulk or in small lots, depending on the nature of the ingredients.

4. Competition in the sector

The Table below summarizes the major supply sources for each product covered under this study, the strengths of the key supply sources and the advantages and disadvantages of local companies that supply to the food service sector.

Product	Major supply sources (2007)	Strengths of key supply countries	Advantages and disadvantages of local companies
Beef (fresh, chilled or frozen) Import: 112,197 tons	1. India - 83% 2. Australia - 6% 3. Uruguay - 4% 4. China - 3% 5. Brazil - 3%	India competes on price and dominates the supply; demanded largely by the low end mass market food service segment.	There is insufficient supply of local beef.

US\$ 187 million (CIF value)	USA - Negligible supplier (Less than 1%)	<p>Australia dominates the fresh/chilled segment in the high end food service sector with its <i>halal</i> beef.</p> <p>Uruguay has recently entered the market with its price competitive high quality frozen beef, targeted at the cost conscious mid to high end food service segment, competing against Australian products.</p> <p>China and Brazil supply price competitive good quality frozen beef targeted at the mid level food service segment.</p>	
<p>Whole chicken, frozen</p> <p>Import: 3,282 tons</p> <p>US\$ 5.5 million (CIF value)</p>	<p>1. China - 41%</p> <p>2. Thailand - 41%</p> <p>3. Netherlands – 14%</p> <p>USA - Nil</p>	<p>The import market is relatively small and mainly targets the food service sector. Demand for local chicken dominates due to market preference for fresh/chilled chicken available at a very competitive price. In addition, the foodservice industry only purchases <i>halal</i> certified poultry.</p>	<p>Malaysia is a major producer of chicken and an exporter of poultry meat. Local chicken is very price competitive. Local consumers still prefer fresh or chilled chicken to frozen chicken.</p> <p>Note: There is an import restriction on whole chicken.</p>
<p>Whole turkey, frozen</p> <p>Import: 60 tons</p> <p>US\$ 0.3 million (CIF value)</p>	<p>1. Australia- 85 %</p> <p>2. USA - 13%</p>	<p>Australia dominated the market in 2007. The major US exporters have pulled out of the Malaysian market, making the US a secondary exporter. The other countries are minor suppliers.</p>	<p>Turkey is largely demanded by the high end food service sector, for the festive holidays. There is no commercial supply of local turkey.</p>
Dairy	1. New Zealand -	New Zealand leads in	Local companies

<p>Import: 190,818 tons</p> <p>US\$ 611.7 million (CIF value)</p>	<p>42%</p> <p>2. Australia - 25%</p> <p>3. USA – 11%</p>	<p>milk powder, yoghurt, butter and cheese and is the second largest supplier of liquid milk. Australia leads in liquid milk and is the second largest supplier of milk powder, cheese and butter.</p> <p>The USA is the second largest supplier of yoghurt and the third largest supplier of milk powder and cheese.</p>	<p>are very strong in liquid milk, sweetened condensed milk, canned milk powders, yogurt and cultured milk drinks. They are all very strong companies with dominant shares within their market segments.</p>
<p>Breakfast cereals</p> <p>Import: 6,943 tons</p> <p>US\$ 14.5 million (CIF value)</p>	<p>1. Philippines - 42%</p> <p>2. Thailand - 11%</p> <p>3. USA - 10%</p>	<p>Branded market dominated by Nestlé, Kellogg's and Quaker. Nestlé is supplied mainly from the Philippines and Thailand, targeting the mass market. Post, Quaker, Nature's Path and Sweet Home Farm are from the USA, targeting the niche high end market.</p>	<p>Nestle (Nestum) and Quaker (Quaker Oatmeal) are locally packed from imported ingredients.</p>
<p>Savory snacks; potato based and other cereal based snacks</p> <p>Import: 7,354 tons</p> <p>US\$ 11.7 million (CIF value)</p>	<p>1. China - 35%</p> <p>2. Singapore - 16%</p> <p>3. Indonesia - 12%</p> <p>3. Thailand - 12%</p> <p>USA – Minor supplier (4%)</p>	<p>China, Singapore, Indonesia and Thailand largely supply Asian type snacks.</p>	<p>Local products dominate this snacks market with very widespread national distribution reach. Malaysia's locally produced branded products such as Jack & Jill, Roller Coasters, Pringles and Twisties compete on price against imports</p>
<p>Fresh vegetables</p> <p>Import: 913,333 tons</p> <p>US\$ 367.7 million (CIF value)</p>	<p>1. China - 48%</p> <p>2. India - 20%</p> <p>3. Thailand - 15%</p> <p>USA - Minor supplier (1%)</p>	<p>China leads in potatoes, onions, cabbages, lettuce, carrots and legumes. India is the second largest supplier of onions. Thailand is the leading supplier of tomatoes.</p>	<p>Malaysia dominates the market with its consistent ability to supply good quality, competitively priced temperate vegetables. It is a major exporter of fresh Asian and</p>

		supplier of tomatoes, cucumber and other vegetables.	temperate vegetables to Singapore.
<p>Frozen vegetables</p> <p>Import: 13,424 tons</p> <p>US\$ 10.7 million (CIF value)</p>	<p>1. China - 40%</p> <p>2. New Zealand - 21%</p> <p>3. USA – 11%</p>	<p>China is the leading supplier of frozen mixed vegetables. Over 80% of China's exports are frozen mixed vegetables, mainly targeted at the food service sector.</p> <p>New Zealand is the leading supplier of frozen potatoes. Over 53% of its exports are of frozen potatoes.</p> <p>USA is the second largest supplier of frozen potato products (largely frozen French fries), mainly targeted at the food service. It also supplies frozen cut potato under supermarket house brands. Over 85% of its exports are of frozen potatoes. It also supplies other frozen vegetable products (hash brown, onion rings and alike).</p>	<p>Malaysia produces some frozen sweet corn. It is not a major producer of frozen vegetables.</p>
<p>Fresh fruits, temperate</p> <p>Import: 353,489 tons</p> <p>US\$ 102.5 million (CIF value)</p>	<p>1. China – 46 %</p> <p>2. South Africa - 17%</p> <p>3. USA - 9%</p>	<p>China leads the market with Mandarins, Fuji apples and Chinese pears and second largest supplier of kiwifruits.</p> <p>South Africa is the largest supplier of oranges, lemons, grapefruits and pears and the second largest supplier of apples and second largest supplier</p>	<p>Malaysia does not produce fresh temperate fruits.</p>

		<p>of grapes.</p> <p>USA is the largest supplier of apricots, cherries, plums, strawberries, raspberries and alike, cranberries and grapes and the third largest supplier of apples, pears and peaches.</p>	
<p>Dried fruits</p> <p>Import: 39,028 tons</p> <p>US\$ 33 million (CIF value)</p>	<p>1. Myanmar – 18%</p> <p>2. China - 15%</p> <p>3. Indonesia - 13%</p> <p>4. Iran - 12%</p> <p>USA – 6th largest supplier (8%) of dried fruits and the largest supplier of dried grapes.</p>	<p>Myanmar only exported other dried fruits (mainly Asian type fruits) to Malaysia, dominating 40% of this segment of the import market.</p> <p>Over 87% of China's exports were from Chinese dates, dominating the supply for this segment of the market.</p> <p>Indonesia is the second largest supplier of other dried fruits (mainly Asian type fruits) to Malaysia.</p> <p>Iran is the largest supplier of Middle-eastern dates and figs and the second largest supplier of sultanas.</p>	<p>Malaysia is not a major supplier dried fruits.</p>
<p>Edible nuts</p> <p>Import: 50,482 tons</p> <p>US\$ 41.5 million (CIF value)</p>	<p>1. India - 44%</p> <p>2. China - 25%</p> <p>3. Indonesia - 11%</p> <p>USA - Minor supplier (4%) of edible nuts but the largest supplier of shelled almonds and second largest supplier of pistachio.</p>	<p>India leads in supplying groundnuts by offering very competitive prices. China is the second largest supplier of groundnuts, and leads in the supply of walnuts, chestnuts and pistachio.</p> <p>Indonesia is the largest supplier of groundnuts in shell and other nuts.</p>	<p>Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the market.</p>
<p>Sauces and seasonings</p>	<p>1. Thailand - 34%</p> <p>2. China & Hong Kong- 26%</p>	<p>Thailand is a major supplier of fish sauce and chilli sauce.</p>	<p>Locally produced soya sauce, tomato sauce and other</p>

<p>Import: 22,470 tons</p> <p>US\$ 36.3 million (CIF value)</p>	<p>3. Singapore - 15%</p> <p>4. USA – 8%</p>	<p>China and Hong Kong are major suppliers of other high end Asian sauces such soya sauce, oyster sauce, plum sauce and alike.</p> <p>Singapore supplies high quality price competitive Asian sauces such as sambal, satay, rending, chicken rice sauce and alike.</p> <p>The USA is a major supplier of western sauces such as salad dressing, spaghetti sauce, mixed condiments, barbeque sauce, black pepper sauce, Thousand Island Dressing, salad cream, salsa and alike.</p>	<p>Asian sauces have a very strong presence in the market.</p>
<p>Non-alcoholic beverages</p> <p>Import: 32 million liters</p> <p>US\$ 48.7 million (CIF value)</p>	<p>1. Thailand - 28%</p> <p>2. China - 9%</p> <p>3. USA – 9%</p>	<p>Thailand leads in supply of orange juices, pineapple juices and mixed fruit and vegetable juices, cordials, Asian drinks as well as other non-alcoholic drinks.</p> <p>China leads in the supply of apple juices and also second largest supplier of Asian drinks.</p> <p>The USA is the largest supplier of tomato juice and second largest supplier of other fruit juices to Malaysia with products such as Welch's, Del Monte, Minute Maid, Ocean Spray.</p>	<p>Local branded mineral water, juices, cordials and soft drinks dominate the market.</p>
<p>Wine</p> <p>Import: 7 million liters</p> <p>US\$ 42.5 million (CIF value)</p>	<p>1. Australia - 46%</p> <p>2. France – 13%</p> <p>3. USA - 11%</p>	<p>Australia has developed a higher presence in the market because of its price competitive New World grape wines and strong brand presence.</p> <p>France dominates the</p>	<p>Malaysia does not produce any grape wine.</p>

		<p>food service market and competes on quality and price.</p> <p>USA supplies well-known brands of New World wines to both the retail and food service sectors.</p>	
<p>Beer</p> <p>Import: 14 million liters</p> <p>US\$ 17.1 million (CIF value)</p>	<p>1. Singapore - 34%</p> <p>2. China - 16%</p> <p>3. Netherlands - 9%</p> <p>USA - Minor supplier (1 %)</p>	<p>Singapore is a major re-exporter of foreign beer into Malaysia, including beers from Belgium, Denmark, Germany and Mexico. Most of these are very price competitive beers with brands that are not well-known to the consumers.</p> <p>China exports TsingTao and Yanjing beers to Malaysia.</p> <p>Netherlands exports Grolsch and Breda which is supplied to the mid to high end western-style food service sector in the major cities and tourist centers such as Langkawi.</p>	<p>The market is dominated by locally brewed beers. Malaysia has two major breweries that are aggressive brand driven businesses which proactively protect their market shares.</p>
<p>Spirits</p> <p>Import: 11 million liters</p> <p>US\$ 162.4 million (CIF value)</p>	<p>1. UK - 35%</p> <p>2. Singapore – 29%</p> <p>3. France - 18%</p> <p>USA - Minor supplier (4% share)</p>	<p>UK dominates in the supply of whiskies, Gin and vodka.</p> <p>Singapore is a major re-exporter of whiskies and vodka to Malaysia.</p> <p>France dominates the brandy sector with its well known brands.</p>	<p>Local production is negligible.</p>
Source: Department of Statistics, market observations and trade comments			

5. Best products prospects

The main aim of this study is to make a broad based assessment of the attractiveness of the target market segments for U.S. products and rank each segment in accordance with the following criteria:

- Category A: U.S. products are available in significant quantities in the market segments which have good sales potential.
- Category B: U.S. products not present in significant quantities in market segments which have good sales potential.
- Category C: U.S. products not present in market segments because they face significant barriers

It should be noted that this market attractiveness review has been developed from a broad study of the Malaysian market and not detailed market studies of each segment. As a result, the reader should not construe it as the results of a full and detailed market study into opportunities for U.S. products. This assessment considers in broad terms the likely strategic direction of each market segment but does not consider or provide advice on the strategies or tactics that will be needed by individual US exporters to develop viable markets.

The following Tables consider in broad terms which of the food market segments covered by this study are attractive for U.S. products to develop over the next three years. The Table also ranks each sector according to the above referred criteria.

Category A: Products Present in the Market That Have Good Sales Potential

Product category	2003 Imports	2007 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Dairy	163,934 tons US\$ 289 million (CIF value)	Import: 190,818 tons US\$ 611.7 million (CIF value)	3% growth per annum. Market growth was seen in liquid milk, yoghurt, butter, pizza and grated cheese and processed cheese. Slow	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry a challenge. However, the USA is the second largest supplier of	Category A for cheese products targeted at the food service sector. Good sales potential exist for pizza cheese and other grated cheese demanded by the high end western-style restaurants and hotels. Category B for butter in the food service

			growth was seen in milk powders.	products.	yoghurt and the third largest supplier of milk powder and cheese.	sector, particularly airline catering and high end western restaurants and hotels. Category C for other dairy products. This segment is not particularly attractive for other dairy products due to local competition.
Breakfast cereals	8,943 tons US\$ 11 million (CIF value)	6,943 tons US\$ 14.5 million (CIF value)	Declining by 4% per annum. Not a sizeable import market.	5% duty charged on oats products. Other products incur 7% duty.	Strengths of Nestlé and Kellogg's in the market.	Category A. An attractive market for long term development. The breakfast cereals market has not been fully exploited yet and can be further developed and expanded, targeting the high end hotels.
Savory snacks; potato based and other cereal based snacks	3,157 tons US\$ 5 million (CIF value)	7,354 tons US\$ 11.7 million (CIF value)	26% growth per annum. The hotel operators demand small sized single served packs.	6% import duty	Strong competition from price competitive good quality locally produced branded products.	Category A. This market continues to be attractive for well-known brands from the USA, particular new product types not yet available in the Malaysian market. US exporters should capitalize on the growth in this market.
Frozen	29,613	13,424	Declining	Nil except	Products are	Category A.

vegetables	tons US\$ 21 million (CIF value)	tons US\$ 10.7 million (CIF value)	by 11% per annum.	for frozen sweet corn which attracts 5% import duty.	mainly demanded by the food service sector (western style restaurants). Most food service operators still prefer fresh vegetables which are readily available all year round.	Food service demand continues to be important. Good prospects continue to exist for certain frozen vegetables supplied by the USA that are in demand.
Fresh fruits, temperate	296,469 tons US\$ 73 million (CIF value)	353,489 tons US\$ 102.5 million (CIF value)	Growing by 4% per annum. .	5% import duty except for fresh oranges which attracts no import duty.	Largely demanded by high end hotels which demand high quality apples, oranges, grapes, berries and stone fruits.	Category A. Opportunities exist for US exporters to target high end hotel operators and high end western-style restaurants.
Dried fruits	35,511 tons US\$ 20 million (CIF value)	39,028 tons US\$ 33 million (CIF value)	Growing slowly by 2% per annum. Mainly bakery sector demand although demand exists from the high end hotels.	5% import duty applies. Nil on dried dates and dried grapes.	Maturing market for traditional dried fruits such as raisins and prunes. Slow grow in dried fruits such as figs, avocado, apricot, apple, peach and other dried fruits. However, the USA is the 6 th largest supplier (8%) of dried fruits and the largest supplier of	Category A. Opportunities exist to continue to supply to the bakery and high end hotels, when taken as incremental sales to the retail sector where the USA already has a presence.

					dried grapes.	
Sauces and seasonings	13,931 tons US\$ 22 million (CIF value)	22,470 tons US\$ 36.3 million (CIF value)	12% growth per annum. The market is dominated by local Asian sauces but all western sauces and seasonings are imported.	10% import duty for soya sauce and tomato sauce and similar sauces. 5% import duty for other sauces except for prepared mustard which is nil.	Very strong competition from local soya sauce and tomato sauce which meet closely with consumer taste and price expectations. USA has created a strong position in supplying western sauces to Malaysia.	Category A. Opportunities exist to continue to supply to the food service sector, particularly the western style restaurants which are increasingly popular in Malaysia.
Non-alcoholic beverages	19 million liters US\$ 19 million (CIF value)	32 million liters US\$ 48.7 million (CIF value)	14% growth per annum. The market is dominated by local products which meet closely with consumer taste. Import growth is mainly in un-sweetened beverages, including bottled water and fruit juices.	Nil for fruit juices, except for pineapple juice which attracts 20% import duty and guava juice which attracts 6% import duty. 20% import duty on mineral and aerated water and other non-alcoholic beverages.	Very strong competition from local products and brands which meet closely with consumer taste and price expectations.	Category A. Opportunities exist for US exporters to supply competitively priced juices (fruits and mixture of fruits and vegetables), sparkling juices (for festive seasons and celebrations) as well as products that can be targeted at the high end hotels and restaurants, airline caterers and major food caterers.
Wine	4 million liters	7 million liters	15 % growth per	Import duty of RM23 per liter for	Wine is increasingly being	Category A. Opportunities

	US\$ 20 million (CIF value)	US\$ 42.5 million (CIF value)	annum. Fast growing market, particularly demanded at weddings and other major celebration as more purchasers switch to wine (sparkling and non-sparkling) from spirits.	sparkling wine. Import duty of RM7 per liter for other wines. Excise Duty of 15% and RM34/Ltr for sparkling wine or 15% and RM 12/Ltr for other grape wines.	consumed by the younger generation of adult Malaysian Chinese and Indians, particularly those educated abroad and/or are well-travelled. It is perceived as a highly sophisticated drink by them.	continue to exist for US exporters to expand this market for their new world wines as increasing number of young Malaysians acquire a taste for wines.
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Category B: U.S. Products not Present in Significant Quantities in the Market That Have Good Sales Potential

Product category	2003 Imports	2007 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Dairy	163,934 tons US\$ 289 million (CIF value)	190,818 tons US\$ 611.7 million (CIF value)	3% growth per annum. Market growth was seen in liquid milk, yoghurt, butter, pizza and grated cheese and processed cheese. Slow growth was seen in milk	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other products.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry a challenge. However, the USA is the second largest supplier of yoghurt and the third largest supplier of milk powder and cheese	Category B for butter in the food service sector, particularly airline catering and high end western restaurants and hotels. Category A for cheese products targeted at the food service sector. Good sales potential exist for pizza cheese and other grated

			powders.		cheese.	cheese demanded by the high end western-style restaurants and hotels. Category C for other dairy products. This segment is not particularly attractive for other dairy products due to local competition.
Beef (fresh, chilled or frozen)	95,994 tons US\$ 116 million (CIF value)	112,197 tons US\$ 187 million (CIF value)	3% growth per annum.	Nil.	The import market is dominated by frozen beef (99%), largely by very price competitive frozen beef from India, demanded by the food service market. The higher end restaurants demand fresh/chilled beef, which is largely supplied by Australia.	Category B Opportunities exist for US supplies of fresh/chilled/frozen halal beef to the high end food service sector, particularly US-style restaurants that serve beef. Note: This product category hinges on halal approval – See The Halal Factor, page 4.
Fresh vegetables	695,902 tons US\$ 215 million (CIF value)	913,333 tons US\$ 367.7 million (CIF value)	6% growth per annum. Fast growing market with large demand for Asian vegetables	Nil	Competition from local suppliers and China which supply mainly Asian vegetables to the market. The bulk of demand is for Asian fresh	Category B. Demand for fresh temperate vegetables will continue to grow as more exotic varieties are introduced to the high

			. Fastest growth seen in potatoes, onions, lettuce, cabbages, cauliflower , carrots. Growth was also seen in cucumbers and other temperate vegetables such as broccoli, asparagus and alike.		vegetables.	end hotel and restaurant chefs.
Spirits	6 million liters US\$ 63 million (CIF value)	11 million liters US\$ 162.4 million (CIF value)	Growing by 17 % per annum. Rapidly growing market. Whiskey imports grew rapidly at 33% per annum while brandy imports grew at 6% per annum.	Import duty of RM58 per liter for brandy and whiskey and RM55 per liter for rum, gin and vodka. Import duty of RM93.5/VP L for other spirits, liqueurs. Excise Duty of 15% and RM 30/Ltr for brandy, whiskey, gin, vodka. Liqueurs and other alcoholic drinks attract Excise Duty of 15% and RM 42.5/Ltr.	High duties on these products and consumer preference for well-known brands of brandy and whiskey make this a costly market to enter for new-to-market brands.	Category B. Opportunities exist for US exporters to develop the market for US whiskey and brandy brands as well as other new age drinks.

Whole turkey, frozen	249 tons US\$ 0.5 million (CIF value)	60 tons US\$ 0.3 million (CIF value)	Declining rapidly due to the exit of US suppliers from the market. The market has shrunk as a result.	Nil.	Turkey is only demanded at Christmas time by the high end hotel restaurants and a number of western-style restaurants.	<p>Category B.</p> <p>This market continues to be attractive for the USA and US exporters should continue to service this market, particularly for the festive demands.</p> <p>Note: This product category hinges on halal approval – See The Halal Factor, page 4.</p>
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Category C: U.S. Products not Present in the Market Because They Face Significant Barriers

Product category	2003 Imports	2007 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Whole chicken, frozen	1,139 tons US\$ 1.0 million (CIF value)	3,282 tons US\$ 5.5 million (CIF value)	Growing by 37% per annum. However, imports fluctuate from year to year, depending on the local supply situation. Market is dominated by local fresh	Import duty of 20% (in quota) and 40% (out of quota).	The market continues to prefer fresh/chilled local poultry to frozen imported poultry.	<p>Category C.</p> <p>This market continues to be a challenge under conditions where the market is well served by local sources.</p> <p>There is an import restriction on whole chicken.</p>

			whole chicken.			
Dairy	163,934 tons US\$ 289 million (CIF value)	Import: 190,818 tons US\$ 611.7 million (CIF value)	3% growth per annum. Market growth was seen in liquid milk, yoghurt, butter, pizza and grated cheese and processed cheese. Slow growth was seen in milk powders.	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other products.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry a challenge. However, the USA is the second largest supplier of yoghurt and the third largest supplier of milk powder and cheese.	Category C for other dairy products. This segment is not particularly attractive for other dairy products due to local competition. Category A for cheese products targeted at the food service sector. Good sales potential exist for pizza cheese and other grated cheese demanded by the high end western-style restaurants and hotels. Category B for butter in the food service sector, particularly airline catering and high end western restaurants and hotels.
Edible nuts	45,921 tons US\$ 29 million (CIF value)	Import: 50,482 tons US\$ 41.5 million (CIF value)	Growing by 2% per annum.	Nil except for groundnuts which incurs 5% import duty	Largely demanded by hotels, bars and pubs that prefer small single serve packages.	Category C Strong competition from local brands. This market will be a challenge for US exporters who are unable to

						compete on price.
Beer	23 million liters US\$ 18 million (CIF value)	Import: 14 million liters US\$ 17.1 million (CIF value)	Declining by 8 % per annum. The market is dominated by locally brewed products.	Import duty of RM5 per liter. Excise Duty of 15% and RM 7/Ltr for beer not exceeding 5.8 % volume and RM7.40/Ltr for other.	Very strong competition from locally produced well-known brands. Most imports have tentative niche presence as the foreign brands are not well known to consumers.	Category C. Strong competition from local brands. This market will be a challenge for US exporters who are unprepared to promote their products for the long term.

END OF REPORT